

Cross-talk Between the CSuO and On-site Staff in Charge - How We Overcome Our Challenges

One of the materialities, "Gain credibility through responsible business management," conveys the belief that a company that cannot gain the trust of its customers or investors and society cannot "change society" (purpose), much less "compete on the world stage" (long-term vision). So, does gaining credibility contribute to "earning power"? We consider non-financial initiatives to be the minimum condition for generating profits and have also identified them as our A-ranked risks (compliance, environmental/human rights regulations) [P112](#). If we can turn risks into strengths and opportunities, then trust will directly lead to "earning power." In order to grow sustainably by generating profits in good faith, we will solve the issues we face one by one while demonstrating our value.

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Issues of product stewardship

- ▶ Corporate planning staff: Takahiro Tokuyasu and Kensuke Sato
- ▶ Chemical managements staff: Takashi Kumaki and Tomoaki Aoki
⇒Related KPI: Promoting product stewardship



PFAS are organic fluorine compounds widely used in everyday items such as non-stick frying pans, automotive parts, and semiconductor materials. While PFAS are suitable for industrial use, they have attracted attention for their harmful properties, and strengthening of international regulations is expected to have a major impact on business.

Tokuyasu Responding to PFAS regulations is different from past experiences such as the conventional REACH regulations. While it is difficult to determine the harmfulness of PFAS and the scope of the regulations may be broad, it is difficult to receive direct requests from end customers, and our response has been delayed. We also lacked horizontal cooperation amidst the company integration. Last year, we accelerated initiatives by having each department bring their situation to the Sustainability Promotion Council, and creating a common understanding. With the Corporate Planning Department serving as the secretariat, we are monitoring and taking response measures from a company-wide perspective, such as by investigating the actual use of PFAS in the Group, estimating the approximate scale of the impact, collecting and analyzing information on customer trends and regulatory trends, and also developing and searching for alternatives.

Kumaki The importance of responding to this issue has increased with the reform of our business portfolio after the merger. There is not only risk, but also businesses such as coating materials that can turn PFAS regulations into future profit opportunities. There should still be plenty of room for the entire Group to share elemental technologies and strengthen synergies.

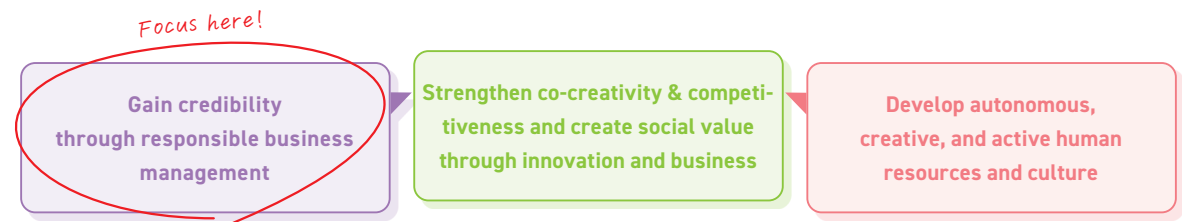
Sato Currently, we have not been able to fully utilize the region- and business-specific technologies, know-how, and experience of our 24,000 global

employees as collective knowledge. Corporate departments must work together to establish a system that visualizes internal information, controls risks, and connects them to opportunities.

Tokuyasu This sort of global regulatory compliance is the minimum condition for generating profits. If we remain passive about regulations that could be a game changer, we will lose both the expectations of investors and opportunities for co-creation with customers. We will approach it from both the business risk and opportunity perspective.

Matsuko While PFAS are suitable for industrial use, they remain mostly undecomposed when released into the natural environment, accumulating in the bodies of living organisms. As such, there are concerns about their impact on biodiversity. There are potential health and environmental risks, and it is our responsibility as a chemical company to view them as a human rights issue in the value chain.

Aoki Resonac is gradually working on standardizing safety labeling for chemicals. We are also undertaking the technical challenge to screen for harmfulness in collaboration with the Research Center for Computational Science and Informatics, and we are engaged in a process of trial and error with a future-oriented approach to product stewardship.



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Cross-talk Between the CSuO and On-site Staff in Charge

Issues on compliance

- ▶ Quality Assurance Department: Tomoaki Aoki and Kazuyuki Kasamaki
⇒Related KPI: Zero quality compliance violations
- ▶ Sustainability Department Compliance Group: Daisuke Yoshida, Hiroshi Ukita and Mariko Isota
⇒Related KPIs: Instilling compliance-related regulations, number of whistleblowing reports



Six years have passed since the former Hitachi Chemical's inappropriate product testing issue in 2018. We discussed the current status of recurrence prevention measures, current initiatives, the post-merger structure, and how compliance should be promoted in the future.

Aoki The inappropriate inspection incident cost us the trust of our customers. We have implemented the recurrence prevention measures almost as planned, and are currently focusing on the ongoing challenge of building an automated system [P103](#), as well as education and audits. It is important to continue to prepare systems and mechanisms that allow us to say, "It is 100% secure," and to keep moving forward. Even in this process, we must always ask ourselves, "Are there any risks?" and keep a vigilant stance to never let the incident fade away.

Kasamaki Through education and training, we thoroughly emphasize quality compliance throughout the Group. In 2023, we conducted our first employee awareness survey after the merger. While we were able to confirm that employees are proactively working to ensure quality on a daily basis, the results showed that there is room for improvement in some departments with regard to resources such as systems and human resources. We are currently exploring the ideal state of our system after the merger.

Aoki It is important that each department on the value chain strive as a team to achieve the quality that customers require, including development, manufacturing, and quality assurance, which are the keys to manufacturing, as well as sales and procurement SCM. The perspectives of business units, production technology, and head office members are also essential. I am keenly aware of the importance of career paths that allow experience in multiple functions, team diversity, and the necessity of ensuring an open organization. We are now building a system that ensures both internal cooperation for rapid response to customers and the independence of our quality assurance function. I

believe that we can build earning power by restoring and further strengthening the trust of our customers.

Yoshida It is self-evident that we cannot continue business if we lose the trust of our stakeholders. Rather than responding after a problem occurs, we must prevent it from occurring in the first place by not only complying with laws and regulations, but also making appropriate judgments with foresight and ethics, even if we are not violating current laws. If we cannot act based on this concept of soft law, we will not be able to prevent future damage to our corporate value. As with quality assurance, we must constantly ask ourselves, "Are there any risks?" and foster a culture where we can point them out to each other. Our company-wide effort to "ensure psychological safety" is a prerequisite for strengthening whistleblowing functions and eliminating compliance violations.

Ukita "Our Code of Conduct" clearly states the soft laws that the Company must follow. The instilling activity of it needs to be repeated until it becomes corporate culture, and there is no end to it. After the integration, we established a Global Compliance Committee. We will continue to communicate and make improvements to the rules in order to implement them in a manner that suits each organization, region, and country.

Isota It is also necessary for each department to stay vigilant of the latest rules and legal reforms, to prevent unintentional violations due to a lack of understanding of work-related rules or the ignorant belief that it will be okay because we are following precedent cases. We must also not be confined to traditional methods and come up with educational methods that get information across.